supportive role. The Boards of Banks have to take a decision in this regard based on the synergy levels of merging consolidating entities.

Introduction of VAT in the country

1462. SHRI CHO.S. RAMASWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Government are introducing the VAT system all over the country from April, 2005;

(b) if so, what are the special features of this scheme;

(c) whether it will check the double taxation across the board;

(d) what will be the benefits to the common public through this VAT scheme; and

(e) what will be the change in revenue collection if this process is implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) (a) to (c) Value Added Tax is a State level tax reform measure which is proposed to be implemented by States in lieu of the existing Sales Tax system. The Central Government is playing the role of facilitator in this tax reform process. VAT is a simple, transparent, multi-stage tax with input tax credit, which eliminates cascading of taxes. Further, as decided by the Empowered Committee, it is expected that a number of State level taxes on purchase or sales of goods like State sales tax, turnover tax, purchase tax, additional sales tax, surcharge, entry tax (not in lieu of Octroi) will be sub-sumed in VAT. Hence, instead of multiplicity of taxes, there would only be a single tax.

(d) The provision of Input Tax Credit (ITC) is one of the most significant features of VAT which ensures that there is no cascading of tax (i.e.tax on tax) and no consequent price escalation which is ultimately beneficial to the common public.

(e) International experience suggests that VAT is revenue enhancing. However, actual impact on revenues of States/UTs shall be known only after VAT is actually implemented by the States/UTs.